United Nations E/ICEF/2002/AB/L.5

Economic and Social Council

Distr.: Limited
30 May 2002

Original: English

For information

United Nations Children's Fund
Executive Board
Second regular session 2002
16-20 September 2002
Item 6 of the provisional agenda*

Cash assistance to Government in the context of UNICEF programme cooperation modalities

Summary

The present report describes the modality of cash assistance to Government within the overall context of UNICEF programme cooperation modalities with Governments.

* E/ICEF/2002/11.

02-40850 (E) 030702

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Abbreviations

ACABQ	Advisory Committee on Administrative and Budgetary Questions
BCA	Basic Cooperation Agreement
CAG	cash assistance to Government
CCA	Common Country Assessment
CSOs	civil society organizations
Govt	Government
MPO	master plan of operations
MTR	mid-term review
NGOs	non-governmental organizations
PPAs	project plans of action
ProMS	Programme Manager System
TCPR	Triennial Comprehensive Policy Review
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group

I. Introduction

1. The present report has been prepared in response to decision 2001/6 (E/ICEF/2001/6/Rev.1) adopted by the Executive Board of UNICEF at its first regular session of 2001 to revert to the issue of cash assistance to Government (CAG)[1] on the basis of a report on its current practice and financial regulations and rules. The modality of CAG is better illustrated within the overall context of UNICEF programme and operational cooperation modalities (hereafter referred to as "UNICEF modalities"). By providing a comprehensive contextual background, this report also attempts to contribute to the dialogue among UNICEF, its Executive Board and the United Nations Development Group (UNDG), and oversight bodies such as the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the United Nations Board of Auditors around the implications of United Nations General Assembly resolution 56/201 (21 December 2001) on the Triennial Comprehensive Policy Review (TCPR), which calls for, inter alia, simplification, harmonization and decentralization of authority in programmatic and operational approaches of cooperation.

2. The content of the programmes of cooperation and the modalities of execution are shaped by the situation of children and women, national development priorities, UNICEF organizational priorities, past experience and the capacities in the recipient countries. National ownership of programmes of cooperation is embedded in the UNICEF decentralized operational development approach, and the implementation modalities adapt pragmatically to the country situations. In this framework, UNICEF remains accountable to the Executive Board and donors for timely reporting of assistance provided and monitoring of its use.

II. Overview of the guiding operational principles of UNICEF cooperation

A. The country programme approach

3. The country programme is based on a comprehensive analysis of how the catalytic and operational role of UNICEF in the country, the strategic choices, programme objectives, and key strategies and principles come together in support of an overall goal.

4. Under the country programme approach, UNICEF works with the Government, civil society organizations (CSOs) and other partners in a country to develop and support a programme of cooperation to facilitate the realization of the rights of children and women. The programme of cooperation takes into account the priority problems facing the country's children and women; the national goals and priorities, which will focus on those selected by the United Nations Development Assistance Framework (UNDAF); the organizational priorities approved by the UNICEF Executive Board; the international goals and contributions of other partners, including Poverty Reduction Strategy Papers and sector-wide approaches to

[1] "Government" in this context includes institutions, non-governmental organizations (NGOs) and agencies with which UNICEF may be cooperating in programme assistance.

programming; the comparative advantage and resources of the UNICEF country office; and past experience.

5. Ownership of the country programme resides with the country itself. Within the National Execution approach, national authorities and partners are fully responsible for managing the development programme and for the achievement of the planned results. UNICEF assists national and local partners to implement the agreed activities within the country programme and supports the building of their capacities. UNICEF is accountable to the Executive Board for the relevance, quality and timeliness of its support and inputs to the Government-executed programme, including for taking measures to ensure the strengthening of national capacities to implement the agreed programme. This approach differs from other aid delivery methods whereby, for instance, development agencies execute development programmes on behalf of national Governments using their own funds and personnel.

B. Accountabilities of UNICEF

6. In each TCPR meeting, member States re-endorsed the principles of National Execution, which entails a process in which resource allocations for the programme are planned, and expenditures and results are monitored through a continuously consultative programming process. In 1998, the Consultative Committee on Programme and Operational Questions developed guidelines on the implementation of these resolutions, taking into account the different operating modalities of the United Nations system agencies. The UNICEF programming approach is compatible with these guidelines and the stipulations of United Nations General Assembly resolution 47/199 of 22 December 1992 on the Triennial Policy Review. This orientation has been reiterated continuously by the Executive Board of UNICEF, including in the recently adopted "Procedures for consideration and approval of proposals for country programmes of cooperation" (E/ICEF/2002/P/L.16 and E/ICEF/2002/6 (Part I), decision 2002/4).

7. The planning of the programme of cooperation is the joint responsibility of the Government and UNICEF. UNICEF is accountable to the Executive Board for ensuring that sound programme planning procedures are applied and that the goals and strategies of the programme of cooperation are in accordance with organizational policies and priorities as approved by the Executive Board.

8. Government and national counterparts execute the programme of cooperation. The Government and national partners request the release of UNICEF resources to carry out the agreed projects and activities. Their actions are governed by their own national budget, and financial and audit regulations, under which they are accountable for the correct use of resource allocations. UNICEF is accountable for the effective and efficient provision of its inputs for the maximum feasible benefit of children, in accordance with UNICEF policy and procedures.

9. UNICEF and the Government are responsible for monitoring both the use of the resources made available and the expected results. UNICEF must demonstrate that continued disbursements are warranted in light of satisfactory management of those resources by national counterparts. This is usually achieved through joint field visits, joint reviews and evaluations, reviews of the use of supplies and equipment, and review of accounts.

C. The Basic Cooperation Agreement

10. The country programme of cooperation requires the existence of a signed Basic Cooperation Agreement (BCA). The BCA constitutes the legal basis for the presence of UNICEF in a country and provides an enabling framework for implementation of the programme of cooperation. The model text of the BCA has been modified over time, in close cooperation with the United Nations Office of Legal Affairs and approved by the Executive Board.

11. The BCA specifies that UNICEF cooperation in programmes shall be provided in a manner consistent with the relevant resolutions, decisions, regulations and rules, and policies of the competent organs of the United Nations, including the Executive Board of UNICEF.

12. The BCA further states that the Government shall permit UNICEF officials to observe and monitor all phases and aspects of the programmes of cooperation. In addition, the BCA contains clauses that recognize the right of UNICEF to have access to progress reports and records for monitoring and evaluation of programmes in which it cooperates and provides support. The BCA requires government entities to provide progress reports and records to both the supervising government ministry and UNICEF.

D. Country programme preparation

13. The country programme of cooperation is based on the general framework of the BCA. Key to the country programme approach is a sound understanding of the state of children and women in the host country, and an analysis of the immediate, underlying and basic causal factors in this situation. UNICEF assists national partners in monitoring and analysing the situation of children and women from a rights-based perspective.

14. Programmes of cooperation are negotiated, agreed and signed jointly by the responsible national authority and UNICEF following the preparation of the UNDAF. The participation of civil society, including NGOs, in the preparation and implementation of programmes of cooperation is encouraged. The approval of the Executive Board is based on the submission of a jointly prepared country note (ref. CF/EXD/2002-003), which summarizes the proposed strategy for the new country programme as well as the rationale for the selection of objectives, strategies and expected results of the programme of cooperation. This includes a description of comparative advantages and complementarity of partners' roles. The programme objectives and scope take into account the orientations provided by the UNICEF medium-term strategic plan and resource allocations.

15. Technical, administrative and managerial capacities of the Government in programme areas related to children's rights are identified during the formulation of the country programme. The strengthening of such capacities is an essential element of programme assistance, and the development of a new country programme itself is an opportunity for UNICEF to advocate for children's issues and strengthen national planning capacity.

16. A government request is required for each new submission of a country programme to the UNICEF Executive Board, thus ensuring national authorities' ownership of the programme of cooperation.

17. The master plan of operations (MPO) constitutes the formal agreement between the Government and UNICEF, and provides the framework for accountabilities of programme partners during the period of the country programme. The MPO is prepared following the consideration of and comments by the Executive Board on the draft country note. It includes detailed budgets, a summary of the Integrated Monitoring and Evaluation Plan, as well as articles and provisions governing the roles, responsibilities and accountabilities of each partner in the management of the UNICEF-assisted country programme.

18. Specific MPO clauses refer to the accountability of the Government and other partners for the preparation of substantive and financial reports on the effective use of funds provided by UNICEF. Additionally, in the MPO, the responsibilities of the Government and other partners in requesting, procuring, distributing and monitoring the use of supplies and equipment are emphasized. It also provides the procedures governing the release and reporting of CAG.

19. The role of CSOs, including NGOs, is spelled out in the MPO. At appropriate times, UNICEF also signs project cooperation agreements, small-scale funding agreements or memoranda of understanding with each implementing NGO, provided the proposed activities fall within the scope of the country programme.

20. The MPO also stipulates the procedures for monitoring programme implementation through the joint annual planning and review processes.

E. Country programme implementation

21. After the UNICEF Executive Board has approved the country programme, country offices, their government partners and, where applicable, counterparts from CSOs jointly prepare annual project plans of action (PPAs). Typically, these are developed shortly after the joint annual review of the current year's programmes and projects. United Nations and donor agencies are consulted in this process. The PPAs describe the annual objectives, the activities to be carried out and the inputs to be provided from both UNICEF and implementing partners for each project of the country programme. Once all programme partners agree to the proposed activities, time-frame, proposed allocation of resources and distribution of responsibilities, the PPA is signed by the implementing national counterparts.

22. The PPA is the basic operational tool used by the responsible UNICEF programme officer to update and assist government counterparts and other partners in the implementation of the agreed project activities. It is the basis for any reservation of funds, requisition of inputs and disbursements.

23. The Programme Manager System (ProMS), the UNICEF computerized management system for field operations, requires the existence of approved PPAs. ProMS provides for an integrated system for the planning of both programme and project activities and financial transactions. ProMS links all requisitions, obligations and disbursements to the budgets of the annual PPAs and to the country programme structure as approved by the Executive Board. Any expenditure can be traced back to the objectives and activities of projects that it was meant to support.

F. Monitoring, reviews and reporting

24. An annual programme review is convened by the Government and normally involves the participation of all organizations with significant roles in the country programme, including CSOs, United Nations agencies and donors. Specifically, the annual review aims to:

(a) Assess progress in the achievement of annual objectives and expected results for the year, as described in the PPA;

(b) Identify problems and constraints to implementation, and review the results of measures taken to address these problems;

(c) Identify emerging opportunities to accelerate the achievement of the planned results;

(d) Review the status of cash, supply and technical assistance to government and other partners;

(e) Review the quality and integrity of the end-use of supplies and other inputs provided by UNICEF;

(f) Review the implementation of evaluation and research activities;

(g) Determine if available funds or approved unfunded balances need to be reallocated among or within projects within the same programmes;

(h) Provide input to the design of the following year's PPAs.

25. Based on meeting records, notes for the records, field trip reports, updated statistical data, progress reports, donor reports, summaries of reviews and evaluations, and monitoring records on the utilization of cash and supply assistance, the reviewers compare achievements against the planned objectives, inputs and outputs as described in the PPA, and analyse the reasons for successes and failures. The annual reviews provide the basis for country offices to prepare their annual reports which, in turn, serve as input in the Executive Director's report to the Executive Board.

26. Major course corrections are normally only decided following a mid-term review (MTR) of the country programme. The MTRs assess the ongoing relevance of the original programme design, the choice of strategies and objectives in light of the first years of programme implementation, and a possibly changing programme context.

27. These joint reviews constitute the formal venue for the assessment of the modalities of the management of programme inputs and for drawing lessons for the future.

III. Resource transfer modalities

A. Introduction

28. Programme strategies are derived from an assessment of the country's needs and institutional capacities. These strategies include, inter alia, basic services delivery, capacity-building, advocacy and, if required, relief assistance. The choice

of strategies has implications for the type and mix of resource transfer modalities. UNICEF also takes into account the existence, and strengths and weaknesses of internal national control frameworks. UNICEF adapts its resource transfer modalities to remain satisfied that, in cooperation with the Government, the resources are safeguarded and the integrity of the national execution process is maintained from the request for resources through the monitoring of their use.

29. UNICEF provides three broad types of inputs: technical assistance; supplies and equipment; and direct transfers to CAG institutions and CSOs. Prior to the disbursement of any input, the Government needs to provide a specific request that should be linked to the jointly developed annual PPA. A flowchart detailing these steps is included as annex I.

B. Technical assistance and programme support

30. The programmes of cooperation provide for the transfer of critical know-how and institutional support to serve as a primary input to the programme of cooperation. For the provision of technical assistance, UNICEF may finance salaries and related costs of personnel who provide a technical input or service that directly supports achievement of the objectives stated in the PPAs. Such personnel may be UNICEF project officers, or short-term personnel and consultants without a management or planning function, reporting to UNICEF or the Government. In cases where such personnel report directly to the Government, UNICEF is also associated in the selection process and the monitoring of the outputs.

31. UNICEF also finances salaries and related costs of personnel who provide substantive and operational support to the planning, provision and monitoring of UNICEF inputs into the country programme. This support covers substantive work on programme planning, management, representation, and monitoring and evaluation, as well as operational support to administrative, financial, supply and information technology management. Coupled with the advocacy role played by the country office, UNICEF participates substantively in this manner in leveraging additional resources to finance cooperation activities that are either part and parcel of the programme of cooperation or considered highly relevant to it.

C. Provision of equipment and supplies

32. UNICEF strives to contribute to the availability of, access to and use of affordable supplies to meet the basic needs of children in programme countries. These include: vaccines; essential drugs; medical items; vitamin supplements; basic foods; textbooks; school materials; supplies and equipment for clean water and sanitation facilities; impregnated bednets; fuel; clothing; shelter materials; and prosthetics. The MPO broadly identifies the level and type of supply assistance that will be provided to the country programme based on the programme strategies agreed upon with the Government. It stipulates that the Government will be responsible for the clearance, receipt, warehousing, distribution and accounting of supplies and equipment made available by UNICEF. While UNICEF does not typically accept responsibilities for the delivery of the supplies beyond the port of entry into the country, it does monitor their distribution and use by the intended

beneficiaries to ensure that these supplies contribute as planned to achievement of the intended results.

33. The PPA describes in a detailed manner the nature and type of supply inputs to be provided based on an assessment of essential commodities required for the programme and the relevant capabilities available within the Government and the country.

34. Procurement of supplies to the country programme can be arranged as follows:

(a) Local procurement by UNICEF;

(b) Offshore procurement by UNICEF;

(c) Local procurement by the Government;

(d) Procurement services offered by UNICEF.

35. Local and offshore procurement undertaken by UNICEF is governed by the provisions of UNICEF financial regulations and rules.

36. Local procurement by the Government can be authorized where conditions exist that ensure compliance with procedures and control mechanisms that are equal to those applicable to UNICEF. UNICEF is responsible for monitoring that the funds provided to the Government for local procurement have been used for the intended purpose through the receipt of relevant documentation as well as through regular end-use monitoring.

37. Procurement services strategically augment the programme of cooperation. Funding for supplies and equipment to be procured by UNICEF is provided by Governments, other United Nations agencies or NGOs. While the corresponding resources are not included in the planning figures for the programme of cooperation, MPOs serve as planning frameworks for these critical interventions.

38. As discussed earlier, the choice of modalities is the result of an assessment of the specific requirements of the programme and the prevailing conditions and capacities in the country.

D. Cash assistance to Government

39. UNICEF cooperation emphasizes the strengthening of national planning and implementation capacities. Such assistance may take the form of support to technical exchange, participation in planning meetings, training workshops, joint field visits, and the formulation of and support for advocacy and programme communication activities. Financial assistance may be provided either through disbursement to national authorities or to CSOs in support of the implementation of programme activities or through reimbursement of incurred expenditure. In some cases, UNICEF also makes direct payments to the vendors on behalf of the Government (e.g. renting of workshop sites). These types of financial assistance are referred to as CAG. The disbursements to national authorities or CSOs are the most common ones, given the financial resource constraints that programme countries typically face.

40. UNICEF has regularly reviewed the procedures concerning (a) accounting treatment of the disbursement and (b) the monitoring and oversight of the use of

these resources. It is in this context that UNICEF has been updating, since 1980, its procedures to ensure compliance with accountability principles (three revisions of the relevant financial circular have been issued to refine monitoring and oversight of the modality). The CAG procedure is governed by the following process:

(a) The MPO signed between UNICEF and the Government outlines conditions under which CAG is provided;

(b) The annual PPA is prepared and agreed with the Government, indicating activities, implementing counterpart/department, timing and estimated costs;

(c) A request from the Government needs to be received before disbursement of any CAG against a specific activity in the PPA can be made;

(d) The CAG disbursement should cover the estimated expenditures for a period of no longer than three months;

(e) The disbursement is recorded in the expenditure account. A specific monitoring code is attached describing the purpose of the payments, e.g. support for training, meetings and conferences, government officials' field visits for project management, etc.;

(f) Official acknowledgement of the receipt of funds by the government department concerned is obtained;

(g) The recipient of cash assistance is responsible for submitting a financial and activity monitoring report to UNICEF within a period of six months, and nine months in exceptional cases, following the actual provision of funds;

(h) The responsible UNICEF programme officer reviews the monitoring report for both substance and accuracy, and the UNICEF operations officer checks and registers the amounts for which reports have been submitted in the monitoring module of the operating system, i.e. ProMS;

(i) The programme officer monitors whether the activities have been carried out. This item is also routinely included in the annual review with the government officials;

(j) Any future payments to the same recipient are contingent on the submission of financial and activity monitoring reports for any disbursement older than six months;

(k) The UNICEF country office is required to submit, on a quarterly basis, a monitoring report to the UNICEF Comptroller, with an explanatory note regarding cash assistance for which stipulated monitoring documentation have not been received six months after the release of funds.

An overview of the CAG process is provided in annex II.

41. In cases where actual expenditures by the Government are lower than the disbursed amounts, the government counterpart will typically use the remainder for activities of the next period or reprogramme to another activity in the jointly prepared PPA. In the disbursements to CSOs, if the project agreement does not cover other activities into which the funds can be reprogrammed, they can be returned to the programme of cooperation. To minimize the return of funds, UNICEF at times disburses only a portion of the costs of the activity, and reimburses the remainder once the activities are completed.

42. These monitoring procedures are explained to counterparts, and further disbursements are linked to the receipt of satisfactory reports on past disbursements. UNICEF country offices also conduct training to enhance the capacity of counterparts to comply with the reporting requirements. With these procedures, supported by controls built into ProMS, UNICEF ensures that the expenditures recorded are for the relevant activities that support the overall programme of cooperation.

E. Accounting for cash assistance as an expenditure

43. UNICEF accounts for cash assistance as programme expenditure at the time of disbursement of funds to the Government. This accounting policy has been applied consistently for more than 30 years since 1969, in line with the recommendation of the Board of Auditors. Up to 1968, UNICEF accounted for non-supply assistance provided to Governments as advances that were recorded as programme expenditures in the financial statements only upon submission of relevant documents. In the audit of the 1968 accounts, the Board of Auditors was of the opinion that the financial statements of UNICEF could show the results of its operations or its financial position in a more clear and meaningful manner consistent with generally accepted accounting principles if UNICEF recorded CAG disbursement as programme expenditure. UNICEF implemented the recommendation starting with 1969 financial statements.

44. Prior to 1988, UNICEF followed the financial regulations and rules of the United Nations. However, in applying the United Nations regulations, certain modifications became necessary because UNICEF major expenditures are for programme input. In exercising the authority entrusted to UNICEF for the execution of its functions, the Executive Board and the Executive Director have, over the years, established policies and procedures appropriate to UNICEF. These policies and procedures, while not contravening the United Nations financial regulations, deal with matters not covered by those regulations. It is important to recall that it was the major emphasis on programme procedures in UNICEF, relations with donor and recipient Governments, and related methods of planning and monitoring programme activities and programme funds that particularly encouraged the adoption of a separate set of financial regulations for the organization. Additionally, in developing these regulations, the secretariat carried out an in-depth and extensive review of existing UNICEF procedures. These proposed new regulations were reviewed by both the United Nations Office of Legal Affairs and ACABQ. In proposing the regulations to the Executive Board in 1987, the Executive Director reported that the new regulations were designed simply to codify the existing practice of UNICEF. With some minor changes, the proposed financial regulations were fully endorsed by ACABQ and approved by the UNICEF Executive Board. Among the existing practices to be codified in these financial regulations were the organization's policies and procedures in connection with the use of CAG — then in place for 20 years or so.

45. In the context of its audit of 1994-1995 accounts, the Board of Auditors expressed concern that according to the wording of the definition of programme expenditure in UNICEF financial regulation 1.1 (m),[2] CAG did not become programme expenditure until the appropriate utilization documentation had been received by programme officers. However, since UNICEF recorded CAG as programme expenditure at the time funds were transferred to the Governments, it appeared to contradict the definition of programme expenditure in UNICEF financial regulations. The Board of Auditors thus recommended that the policy on the accounting for CAGs be reviewed for consistency with the definition of programme expenditures in UNICEF financial regulations and rules as well as programme management procedures. The reports of the Board of Auditors as well as of ACABQ on the financial reports and audited financial statements (A/51/533 of October 1996 and A/53/513 of October 1998), which were endorsed by the General Assembly, have urged UNICEF to review this issue.

46. In this perspective, UNICEF undertook a review of the relevant provisions of its financial regulations and rules. As intended in the mandate that established UNICEF, the provision of UNICEF input to the programme of cooperation represents an important stage of fulfilling UNICEF obligations. The implication of not recording CAG as expenditure would mean the delay in the accounting of the resource transfer to some time in the future, while the provision of input to the programme of cooperation has in reality been made. It is also possible that at that time in the future, the budgetary authority approved by the Executive Board as well as donors for the period could have expired. To address this issue, UNICEF presented a submission to the Executive Board in 1999 with a proposal to revise and further clarify the definition of "programme expenditures" in UNICEF financial regulations and rules. To this end, regulation 1.1 (m) was brought in line with both the established practice and the original intent of the 1988 regulation. This definition is anchored in the recognition that "programmes" are the direct inputs for achieving the objectives of a specific project for development cooperation as adopted in the budget harmonization exercise and that the term "expenditures" is used as per the definition emanating from the United Nations Accounting Standards.

47. In light of the above, the definition for programme expenditures for a financial period is, as contained in financial regulation 8.6, "the sum of the disbursements and the valid unliquidated obligations made against the allocation of the period in respect of direct inputs needed to achieve the objectives of a specific project or programme". This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training. This proposal was approved by the UNICEF Executive Board in September 1999. With this approval, UNICEF is satisfied that it has been consistent since 1969 in its policy of recording cash assistance as expenditure at the time of fund transfer to the Government.

48. It should be noted that ACABQ, in its report A/54/441 (6 October 1999) which was endorsed by the General Assembly, stated that:

[2] "Programme expenditures" shall mean the costs incurred for programme supplies and equipment, project personnel, consultants and other local costs provided by UNICEF for training, project-related workshops, studies, advisory services and the logistical aspects of supply distribution.

> "According to UNICEF, the payment of funds by UNICEF to Governments is taken as an expenditure because the ownership of the funds is transferred to the Government at the time the payment is made. The implication of accepting this view is far wider than may have been understood by the UNICEF administration, since the statement might be construed as implying that funds transferred to Governments are grants to be used by Governments in the manner of their choosing. The Committee points out that whereas Governments may have custody of funds made available by UNICEF, they do not own the funds, and if funds are not fully spent for the purposes intended by UNICEF, they have to be refunded."

UNICEF has taken the ACABQ comments very seriously, and examined the MPO and procedures of refunds and prepared this report for the review of the UNICEF Executive Board through ACABQ. UNICEF believes that the procedures outlined in paragraphs 40-42 above in the context of programme cooperation and MPOs clarify this issue.

49. Moreover, in the framework of the work of UNDG on harmonization and simplification, in which UNICEF is actively participating, the treatment of cash disbursements as programme expenditures has been viewed with interest and considered as an area for benchmarking of best practices. The objective is to explore best practices in this area that take into consideration the UNDG agencies' primary accountability of transferring resources to national entities and the need to maintain regular oversight and monitoring to discharge accountabilities to governing bodies. In this case, the agencies will ensure that the practice considered for harmonization will, in addition to compliance with United Nations Accounting Standards, minimize costs to cooperation countries and ensure, at the same time, integrity, efficiency and effectiveness in the utilization of programme inputs.

F. Oversight and monitoring of cash assistance to Government: an ongoing effort

50. UNICEF will continue to improve the oversight and monitoring procedures on CAG. In this context, UNICEF is bound to rely on the active participation of cooperating Governments and on their internal control frameworks. In this connection, UNICEF is pleased to share with the Executive Board the following considerations, orientations and actions that are intended to address issues raised by the Board of Auditors and ACABQ regarding the oversight and monitoring of CAG.

51. To provide a perspective on the scope of the CAG modality in the country programmes, it is worth noting that although total CAG amounts have increased, it is due to increased programme throughput. Out of the total programme expenditure of $1.9 billion for 2000-2001, the CAGs of over nine months pending receipt of required reports stood at $13.2 million, or 0.7 per cent of the total. Governments have made substantial improvements in the past few years in terms of reporting on CAGs on a more timely basis.

52. The internal control frameworks of programme countries are important factors in determining the most appropriate monitoring modality. In the framework of the decentralized approach of UNICEF to programme cooperation, current operational procedures provide the head of a UNICEF office with the discretion of adapting the reporting requirements in accordance with the viability and reliability of the internal control framework of counterparts. If this framework is deemed sound enough, UNICEF rules allow for the usual CAG monitoring reports to be replaced by a simplified Government certificate of expenditure, supplemented with activity reports

and other documentation as necessary. Government auditors are then responsible for the regular audit of the financial assistance provided. The simplified certification procedure is, however, contingent on conditions that are typically difficult to obtain in programme countries. Hence, most UNICEF offices request submissions of activity reports substantiated with financial receipts.

53. UNICEF will continue to assess the internal control frameworks in programme countries to streamline further its procedures in this area and will issue, in this connection, guidance for field offices regarding the uses of certificates in the context of monitoring CAG.

54. It is also important to note the following:

(a) All country offices are instructed to include the CAG process in the MPO signed with the Government. Regional offices monitor compliance when reviewing the MPOs. Country offices will continue to train counterparts or other institutions to ensure compliance with the procedures;

(b) The UNICEF Office of Internal Audit has, for several years, included CAG as one of the main areas of programme and management audit for country offices. The CAG process is reviewed from the planning stage to end-use monitoring. Regional offices, as part of their accountability, monitor implementation of internal audit recommendations;

(c) Monitoring reports on CAGs are prepared quarterly by headquarters and shared with regional offices. The Comptroller has been authorized by the Executive Director to provide oversight. This is done through periodic analysis of CAGs for which financial and activity monitoring reports have not been received. UNICEF may suspend the authority of country offices to continue disbursing CAG to those counterparts.

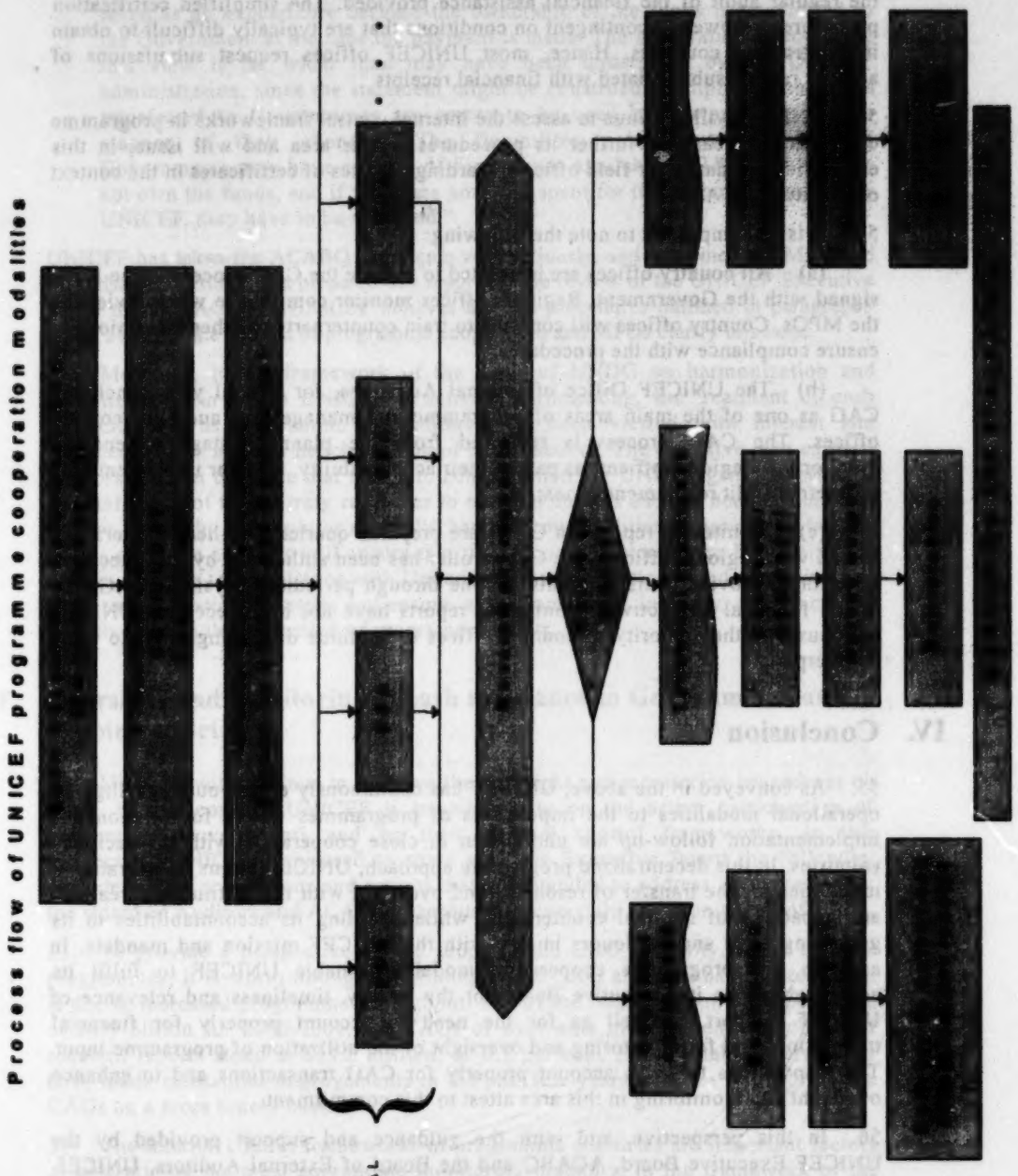
IV. Conclusion

55. As conveyed in the above, UNICEF has continuously endeavoured to align its operational modalities to the imperatives of programmes whose formulation and implementation follow-up are undertaken in close cooperation with the recipient countries. In this decentralized programme approach, UNICEF aligns its operational modalities for the transfer of resources and oversight with the institutional realities and capacities of national counterparts, while fulfilling its accountabilities to its governing body and its donors in line with the UNICEF mission and mandate. In addition, the programme cooperation modalities enable UNICEF to fulfil its accountability to its Executive Board for the quality, timeliness and relevance of UNICEF support, as well as for the need to account properly for financial transactions and for monitoring and oversight of the utilization of programme input. The dispositions taken to account properly for CAG transactions and to enhance oversight and monitoring in this area attest to this commitment.

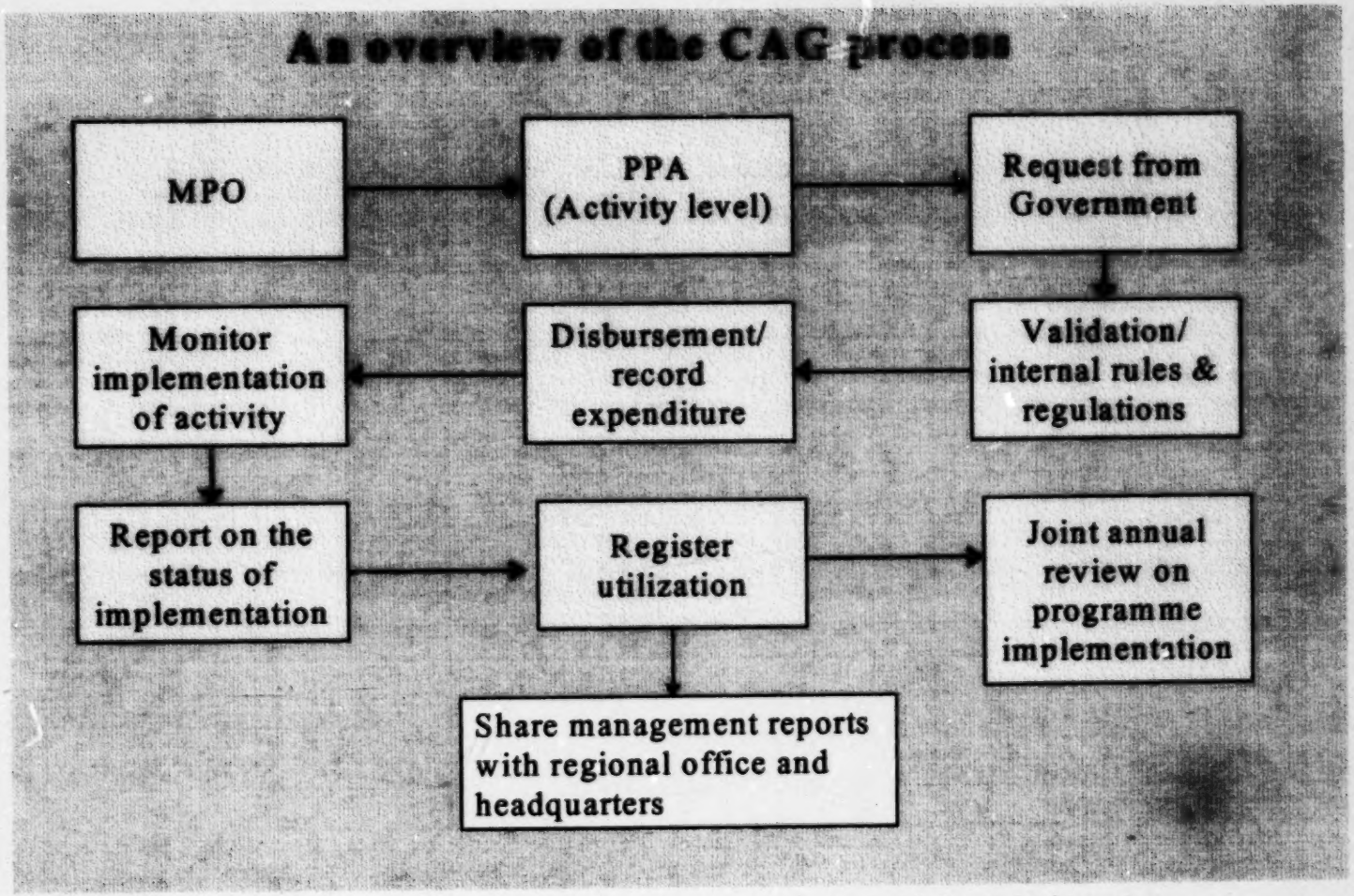
56. In this perspective, and with the guidance and support provided by the UNICEF Executive Board, ACABQ and the Board of External Auditors, UNICEF will continue to carefully implement the present programme cooperation and implementation modalities, while concomitantly working actively with the UNDG partners to explore areas for simplification and harmonization in the ultimate interest of programme countries.

Annex I

Process flow of UNICEF programme cooperation modalities



Annex II


An overview of the CAG process
MPO
PPA (Activity level)
Request from Government
Validation/ internal rules & regulations
Disbursement/ record expenditure
Monitor implementation of activity
Report on the status of implementation
Register utilization
Joint annual review on programme implementation
Share management reports with regional office and headquarters